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JUNE 1990
A CAHNERS PUBLICATION

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

SPECIAL:

Outlook for pneumatic tools

T8014045 ( ) 070/ 89
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Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

VOL. 79, NO. 6 JUNE 1990 A CAHNERS PUBLICATION

Management means developing pros for Dave Silbert (l.), Nathaniel Cooper and Stu Silbert of Harbor Tool.

Cover photography by Seth Resnick

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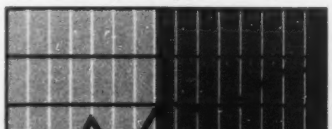

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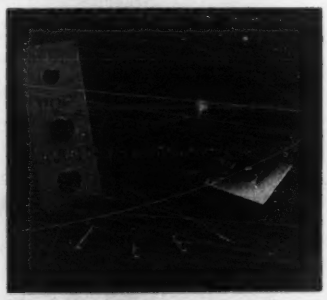

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is in keeping with Feldmuhle's strategy of focusing on converters as a means of selling product through industrial distributors.

With this latest acquisition, CAPCO now has facilities in Ramsey, MN, Los Angeles, CA and Greensboro, NC. The firm also plans to open a plant and warehouse in Cincinnati, OH next month.

For more detailed information on CAPCO and its new marketing and sales arrangement with Feldmuhle, call Burzynski at (800) 624-4582 or (612) 427-2468. □

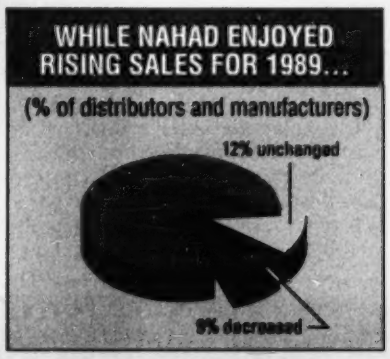
Hose sales up, profits squeezed

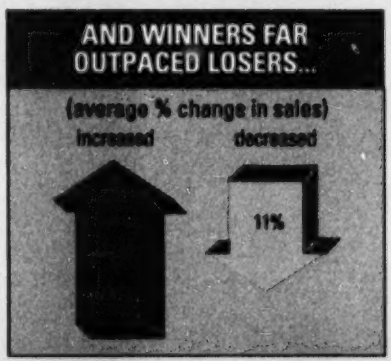
NEWTON, MA—The hose and accessories industry enjoyed a robust 1989, according to a survey conducted by ID prior to the spring meeting of the National Assn. of Hose and Accessories Distributors (NAHAD).

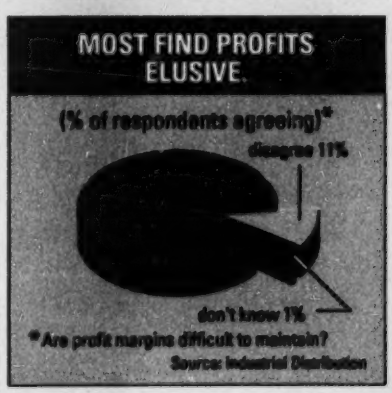
The survey of NAHAD members, found that 79% of manufacturers and distributors report rising sales of 18.5% in 1989, while only 9% experienced an average sales decline of 11% (see chart).

In addition, expectations for a successful 1990 selling season are high. Eighty percent believe that sales will increase an average of 15%, while only 3% forecast a sales decline of 8%, and 17% anticipate sales to remain unchanged.

Despite these optimistic projections, distributor views on profitability paint a much different picture. When asked if favorable profit margins are elusive, 88% said they







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are increasingly difficult to maintain, while 11% said they are not.

The survey also identified both strong and weak end user markets. Among the top three performing industries for 1990 are construction, chemical processors and mining. As for the laggards: construction, mining and auto production were the top picks. □

Fastener legislation nears Senate floor

WASHINGTON, DC—After months of delay, due partially to last-minute efforts by some distributors to soften the bill's language, the U.S. Senate is expected to vote on the *Fastener Quality Act* sometime this month.

The bill, which is at least two years in the making, is the Congress' response to the much publicized counterfeit fastener problem. Under the current language, the bill would require distributors to maintain traceability records on all critical use fasteners covered by the act for a period of seven years.

It also prohibits commingling (mixing lots), requires all fasteners specified by the act to be tested at a certified laboratory, and includes strict penalties for violators (*ID* : Dec. 1989, p. 13).

Patrick Windham, a staff member for Sen. Ernest F. Hollings (D-SC) and Sen. Albert Gore, Jr. (D-TN), two of the bill's Senate sponsors, said that both the Senate and House of Representatives are committed to passing a bill this year.

"The hope is that any compromise language will be worked out with the House so that we can send President Bush a bill before both branches of Congress break for the year," Windham said.

The push for a compromise is being led by Mel Seitz, president of Service Supply (Indianapolis, IN). Seitz and other leading fastener distributors met with Sen. Gore on the matter earlier this year to discuss striking the bill's commingling clause and making traceability voluntary.

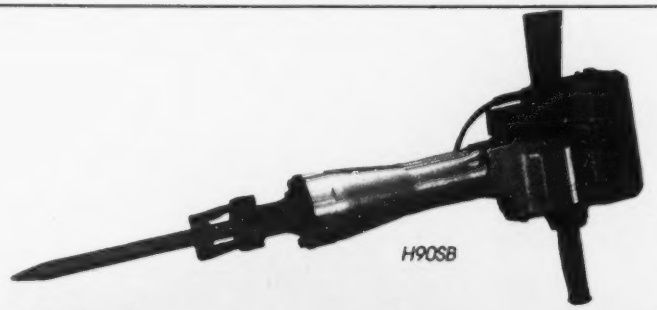
Seitz, whose business does a great deal of repackaging, said to comply with the commingling requirement he would have to shut his packing machine down after every lot. This would increase his repackaging costs up to 25%. Seitz also said that providing customers with traceability paperwork would increase the cost of the average invoice about $15.

"The fact of the matter is that if all of the fasteners are tested at a certified lab, you're dealing with product that meets specs," Seitz said. "The other problem I have with the bill is that it doesn't prevent the end user from commingling, and if he does, traceability is lost."

As of May 4, the board of the National Fastener Distributors Assn. (NFDA) was set to discuss the compromise proposals at the National Industrial Fastener Show and Conference, held last month in Columbus, OH. While she would not comment on whether NFDA would support a compromise, Mary Ann Langholz, NFDA's executive director did say that the association remains committed to a workable bill.

On the manufacturer front, Charles Wilson, director of engineering and management services at the Industrial Fasteners Institute (IFI), said that the lot control and commingling issues were non-negotiable.

"The whole basis of quality control is providing customers with lot control and not commingling parts," said Wilson. "If you compromise on lot control, you give away the value of quality assurance." □



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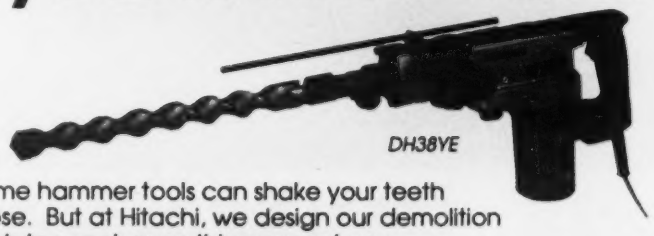

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► CIRCLE NO. 11

Designs That Sell

Air tool manufacturers are finding that successful distributor marketing begins in the minds of engineers and ends in the user's hand.

By John G.F. Bonnanzio, Associate Editor

Whoever said that nothing's new under the sun hasn't been watching the pneumatic power tool market. Driven by the need for healthier, safer and more productive workplaces, manufacturers are laboring at breakneck speeds to design "worker-sensitive" ergonomic products.

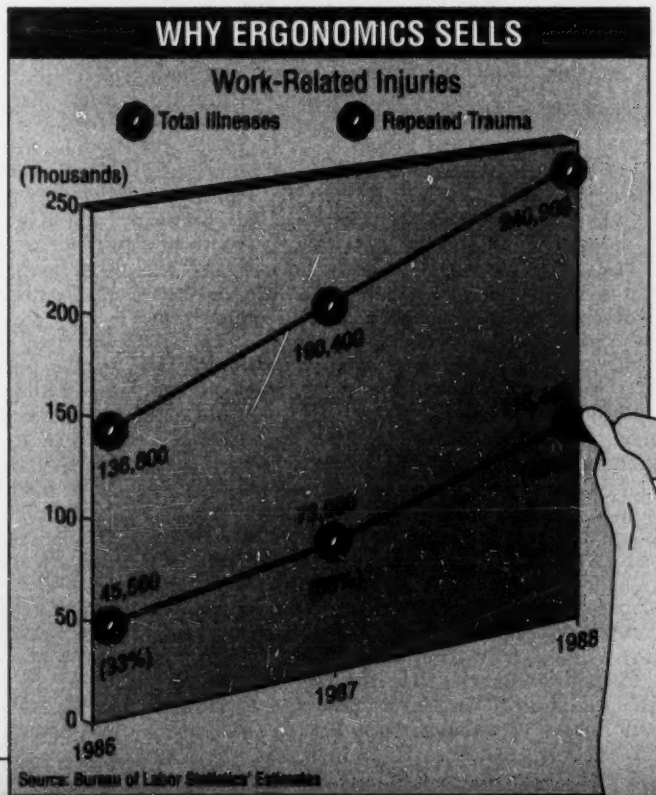
These new designs seek to reduce the number of "trauma injuries" resulting from long-term exposure to tool vibration, noise and repetitive motion. In doing so, the hope is to minimize hearing loss, carpal tunnel syndrome and tendinitis which, collectively, are said to cost employers as much as $100 billion in lost productivity every year.

And these changes are not taking place in an engineering vacuum. Whereas some distributors complain that suppliers are inattentive to both themselves and their customer's needs, Ingersoll-Rand Co. uses distributor and end user panels to identify marketplace demand. In addition, the speed at which products are brought from drafting table to customer has also been compressed. "By streamlining our development processes," reports Ingersoll's Sales and Marketing VP Larry Silber, "leadtimes are down from three years to just one." As a result, the broad-line air tool manufacturer hopes to provide distributors with state-of-the art products long before competitors can react.

Just as important, what goes into the tool's guts and how it fits the tool operator's hand are intensely competitive considerations. Issues ignored in earlier tools are now design imperatives. Today, engineers from various disciplines not only address "ergotoolnomic" challenges (the physical relationship between tool and tool user), but also tackle problems of dust control, airborne oil, noise abatement, vibration dampening, torque reaction, tool serviceability and safety, operator comfort, and overall worker productivity (see "Solution Selling Tools").

Still, the bottom line in the pneumatics market is building air tools which excel in performing one or several tasks, while providing the tool user with a product that's easier and safer to operate. "The reason we have ergonomics," says Atlas Copco's Charlie Robinson, "is to improve the worker's productivity"—a concept that has not been lost on the Swedish company's competitors.

In truth, however, most American manufacturers have only recently caught-up with their European and Japanese counterparts in the science of ergonomics. One important reason for America's belated effort is market demand. In several European countries workers are paid premiums if their exposure to tools exceeds a prescribed noise level (about 90 dBA). As this "time exposure" is potentially ex-



pensive to industry, work quickly began to reduce vibration-induced noises.

Sometimes noise abatement was easily achieved by exhausting air through a rear pipe or hose which acts like a muffler. With tools such as impact wrenches, Atlas Copco has engineered a hydraulic impulse mechanism to dampen high frequency noise created when the rotating hammer strikes the anvil inside the tool.

Although designing a complete line of worker-friendly air tools is expensive, breakthroughs are not the exclusive domain of large manufacturers. (Atlas Copco and its affiliate, Chicago Pneumatic, are said to enjoy 40% of the world-wide market for pneumatic tools.)

In Rock Island, Illinois, a tiny upstart called Honsa Ergonomic Technologies Inc. has been busy biting the hands of larger manufacturers who supply the company with air tool barrels. To these they add vibration-dampening elastomer handles which mimic the way a woodpecker's brain is isolated and suspended from the bird's beak. Likewise, isolating a chipping hammer's barrel and piston from the handle eliminates metal-to-metal contact, and the worker is spared most harmful vibration.

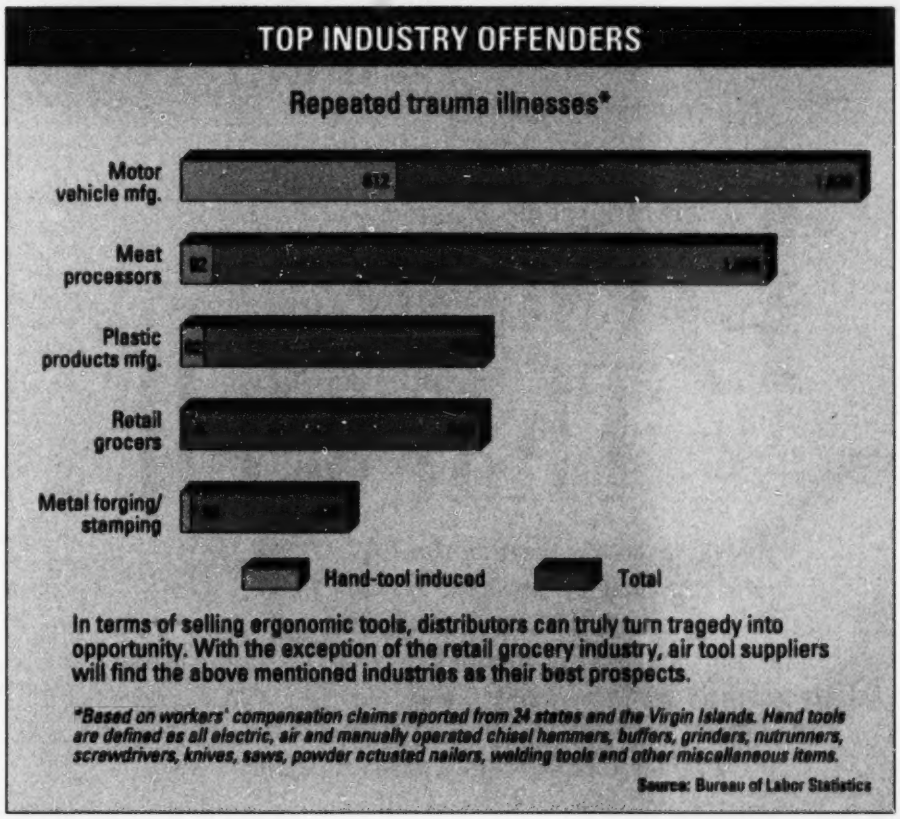
The result? So far the company has two patents which Vice President Thomas Honsa says reduce the vibration in chipping hammers and aircraft riveters by as much as 85%. Says Honsa, who oversees research and development, "Users are seeing the writing on the wall. If their workers are happy using a product they feel healthier with, their productivity will also increase."

And so will the distributor's sales. According to Honsa supplier Duff Elleby, "The issue (of ergonomics) is as much about health and safety for the worker, as it's about increased productivity for the employer. That's our opportunity for making the sale."

So certain is Elleby about the value of selling worker comfort that his Minneapolis company, Ergosource Inc., sources and sells nothing but ergonomic products for industry and office. From vibration and shock-absorbing tool wraps and gloves to Bahco Tools' "Ergo line" of hand tools, this breed of non-stocking distributor earns its keep through solution-selling.

And in all likelihood, the company can look forward to a receptive market. Earlier this year OSHA fined a South Dakota meatpacker $1.25 million for exposing employees to hazards that lead to carpal tunnel syndrome, a debilitating injury caused when severe forces are repeatedly exerted on the wrist. While the meatpacking industry has been a high-profile OSHA target, the agency has also been looking closely at other industries such as the air tool market's largest segment—motor vehicle manufacturing.

According to data produced by the Bureau of Labor Statistics for this article, in 1987 nearly 2,000 worker's compensation claims were filed in 24 states by employees in motor vehicle manufacturing and assembly trades. Of these repeated trauma claims, 612 injuries were caused directly by "hand tools." (See "Top Industry Offenders"). As states are not required to report this data to the federal government, and because such heavily industrialized states as Illinois, New Jersey, New York and Pennsylvania are all non-reporting, these figures are undoubtedly low.


TOP INDUSTRY OFFENDERS
Repeated trauma illnesses*
Motor vehicle mfg.
612
1,800
Meat processors
92
1,000
Plastic products mfg.
Retail grocers
Metal forging/ stamping
Hand-tool induced
Total
In terms of selling ergonomic tools, distributors can truly turn tragedy into opportunity. With the exception of the retail grocery industry, air tool suppliers will find the above mentioned industries as their best prospects.
*Based on workers' compensation claims reported from 24 states and the Virgin Islands. Hand tools are defined as all electric, air and manually operated chisel hammers, buffers, grinders, nutrunners, screwdrivers, knives, saws, powder actuated nailers, welding tools and other miscellaneous items.
Source: Bureau of Labor Statistics

So serious is OSHA's wrath that at least one manufacturer was heavily fined for little more than shoddy recordkeeping in monitoring plant noise. The Budd Company, a manufacturer of automotive parts, must now implement an extensive "hearing conservation program" which provides for complicated enforcement plans including the testing of workers exposed to specific noise levels. Although Assistant Labor Secretary Gerard Scannell (who heads OSHA) said that "Budd is to be praised for its rapid and positive action [in] dealing with these issues," the company was nonetheless fined $1.5 million.

THE SOLUTION SELLERS

As the number of worker compensation claims for repeated trauma injuries continues to increase (see chart), so does the dollar value of fines levied by OSHA. While many businesses have failed to take pro-active steps toward reducing worker injuries, there are numerous examples of manufacturers looking to distributors to help address potential ergonomic hazards.

At Komatsu Dresser, a manufacturer of heavy construction equipment, assembly supervisor Greg Swiderski says he relies on the technical expertise of The Tool House, a

Milwaukee distributor, for product assistance in air tools. "Good pricing and service will always be important to us," says Swiderski, "but access to a quality tool line and application assistance are what determine where we'll do our business."

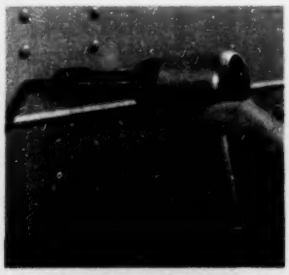
When Komatsu began a re-tooling program about two years ago, The Tool House arrived at Komatsu's Libertyville, IL facility with a line of AIMCO/Uryu pulse tools in hand. After demonstrating the suitability of the tools, the distributor went one step further by allowing the workers to use the tools on the production line. "Because of the ergonomics designed into the tools," says Swiderski, "the guys on the shop floor gave them a very good reception. Based on that and the air tool's ability to perform, we figured the payback would merit the investment."

Other distributors have taken solution-selling one step further. "When the manufacturing engineer has a problem," says Tim Bradigan of Georgia's Air Specialists Inc., "it's our business to solve his problem." In other cases, he says, it's the salesman's job to alert end-users to problems they didn't know existed.

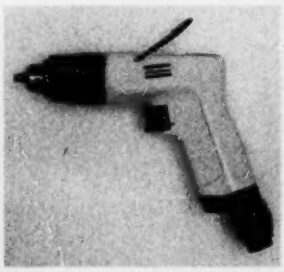
For example, despite improvements to factory ventilation, large users of air tools can still have difficulty with atmospheric oils given off by pneumatic tools. The solution? Sometimes Air Specialists recommends new air treatment equipment such as a single point lubricator. This device meters the exact amount of oil delivered to any pneumatic device needing lubrication, thereby reducing airborne oil and providing a healthier environment.

In addition, says Bradigan, improved lubrication extends tool life as much as 70% and provides better torque control. And if health issues fail to impress a customer, helping end users improve quality and pro-

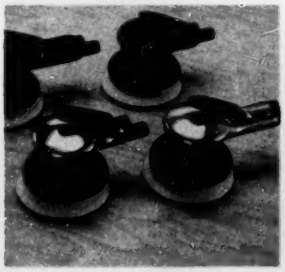
SOLUTION SELLING TOOLS



Problem: Excessive vibration
Solution: Honsa Ergonomic Technologies Vibradamp tools. Proprietary elastomer used within chipping hammers and riveters to isolate the operator from vibration. With less energy released through vibration, more power is delivered to work surface while tool user avoids harmful injury.
Circle No. 349



Problem: Airborne oil
Solution: Atlas Copco's lubrication-free tools. Motor vanes are made of reinforced nylon with integrated lubricant material. In removing airborne oil fog, operator's safety is increased, while savings are achieved by eliminating lubrication units, maintenance, compressed air oil and soiled work pieces.
Circle No. 350



Problem: Airborne dust
Solution: The Aro Corporation's random orbital sanders with vacuum pick-up. OSHA has determined that the potential for pulmonary impairment and nasal cancer is associated with prolonged exposures to certain wood dusts. Vacuum pick-up unit reduces airborne dust level; self-contained dust collector due on market.
Circle No. 351

Problem: Operator safety
Solution: Suhner Industrial Products straight and angle die grinders. C-models feature safety ring/lever throttle which prevents accidental switch-on while allowing fine adjustments to abrasive. Insulated housing prevents cold fingers; low noise level with muffled exhaust exceeds OSHA standards.
Circle No. 352

Problem: Torque reaction/ vibration
Solution: AIMCO/Uryu's Intelec torque controlled pulse tool. Uses oil filled cylinder that "pulses" under load providing smoother drive of fastener with reduced vibration. Said to lower incidence of many cumulative trauma disorders. Optional electronic unit (UEC-4000) detects inaccurately driven or defective fasteners.
Circle No. 353

Problem: Productivity
Solution: POP Fasteners Division's RP-4 rivet presenter. Attaches to standard factory air and electrical supply delivering up to 30 rivets per minute semi-automatically. By eliminating manual loading, laborer has free hand for holding work, spends less time handling rivets. Said to yield 10 to 40% increase in worker productivity.
Circle No. 354

Problem: Worker fatigue
Solution: Sioux Tools Ergo-series (2S) of pneumatic drills, screwdrivers and nutrunners. Design shifts tool motor weight below operator's wrist. Traditional straight, pistol or 90° design is avoided; output spindle is at 125° to enhance balance and leverage thereby reducing fatigue and increasing worker productivity.
Circle No. 355

Problem: Tool maintenance
Solution: Ingersoll-Rand's Cyclone series of fractional horsepower grinders. Features a one-piece steel cylinder—reducing the number of parts that can wear or break—increasing durability and reducing vibration. Drop-in motor affords one minute access to vein replacement. Total estimated repair time: five minutes.
Circle No. 356

ductivity will often be the trick to making the sale—a point not lost on Karl Wachtler of Suhner Industrial Products. "Our approach as a portable power tool manufacturer is to be problem solvers," says the company's sales and marketing manager. "Our salesmen are trained to find problems and, in turn, they help our distributors to find them too."

But identifying problems is not the first step in solution-selling for distributors. The process begins with engineers identifying problems and designing tools to address them. At Suhner, noise abatement, ambient oil and vibration dampening have long been concerns, so the firm insulates housings to guard against numbing and loss of hand muscle control; rear exhausts air to keep oil from settling on the workpiece; and muffles exhaust to a maximum of 80 dBA to exceed OSHA standards.

Similar design considerations appear in The Aro Corporation's random orbital sanders. When compared to the product Aro introduced in 1975, today's sanders are said to be 10% lighter, feature a contoured control lever, provide a new valve design for easier throttling and speed control, and use a new directional muffler. Partly in response to OSHA's fervor in controlling soft and hardwood dust, Aro will introduce a self-contained dust collector during June's Woodworking Show in Atlanta. Says Doug Goehler, Aro's sales promotion manager, "These designs are all a part of our 'Quality thru Excellence' program. Better products for a more demanding work environment."

Some of those demands meet productivity requirements. Here too, manufacturers are listening. Pop Fasteners Div. developed a semiautomatic rivet presenter for bench-based assembly work that is said to increase productivity by as much as 40%. Although the worker is tethered to the machine, product marketing manager Peter Femiak says the tool system's "real advantage" is providing its operator with a free hand when aligning parts. At the same time, because mill dirt can't get on the rivets from the operator's hand, worker comfort is increased because there's no need to wear uncomfortable gloves.

While difficult to measure, operator comfort is nonetheless an important aspect to productivity. Swedish motor vehicle conglomerate AB Volvo is known to install elaborate material handling equipment along assembly lines because its engineers believe that it makes more sense to flip a car frame upside down, than to have a worker continuously move in unnatural positions. Similarly, says Jim Cornish of Sioux Tools, Inc., "It makes more sense to bend the tool than the user's wrist." Which is one reason why, says Cornish, that the company's new Ergo-series of pneumatic drills, screwdrivers and nutrunners has been so widely accepted: reduced operator fatigue.

Because there are too few new manufacturing facilities in the U.S., distributors must mate new tools to existing operations. Outside sales people may find it difficult to eliminate assembly problems, but it is their job to suggest how new designs save money. With improved quality and productivity demands pressing short-term profits, and rising healthcare costs poised to injure long-term margins, ergotoolnomics seems just the tonic for distributors of powered air tools products. □

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BUSINESS REPORT

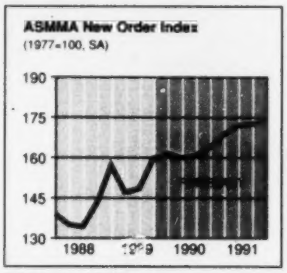
BY KRIS BLEDOWSKI

OEM output will slow

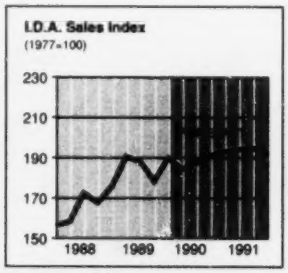
Primary durables off only marginally.

For the past 12 months industrial output has been slow, registering an annual growth rate of 2.3% in February. With all five durable goods industries (fabricated metals, non-electrical machinery, electrical machinery, transportation, and instruments/controls), reaching a cyclical trough this year, 1990 output will finish 0.3% lower than in 1989. However, strong gains in the electrical sector will push OEM production up 6.4% in 1991.

The durable goods sector has also slowed but will not come close to a recession. In spite of a slowing pace of capital spending in 1989 (caused mainly by dwindling profits), order backlogs and foreign demand have kept heavy industry and electronics busy. Unfilled orders in manufacturing have been growing for 14 months and reached $512.8 billion in February. More significantly, the rate of growth has not diminished, staying at 10%. As the economy gains momentum in the second half of this year, capital spending will again drive manufacturing expansion.



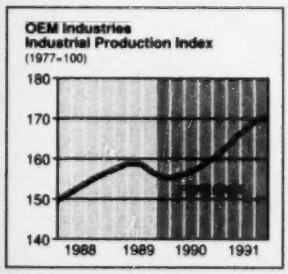
Data source: ASMMA
Forecast source: Cahners Economics



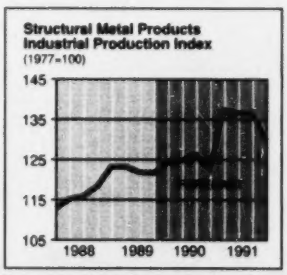
Data source: I.D.A.
Forecast source: Cahners Economics

Non-electrical machinery continues to be the strongest durable goods sector. Output soared 8.5% last year on top of 11.9% growth the year before. As machine tools slow later this year, production of non-electrical machinery should gain only 1.4% in 1990 before taking off to a 8.0% rate in 1991. The instruments and controls industry has also slowed marginally. It will decelerate further finishing 1990 with a drop of 0.2%. In spite of booming aircraft orders, the transportation category lost momentum late last year and has not yet recovered. Industrial production was down 1.5% in 1990, due to cutbacks in auto production. Foreign-owned auto plants have not made up for lost output at the Big Three, and the total for all auto manufacturing production will be down 3.1% in 1990.

Additional growth is expected in fabricated metals production. Structural metal products as well as hardware and tools have been booming for several months. With cutbacks in new investments, MRO expenditures soared, triggering the demand for these products. Expect output of fabricated metals to advance 2.1% this year and 6.8% in 1991. □



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
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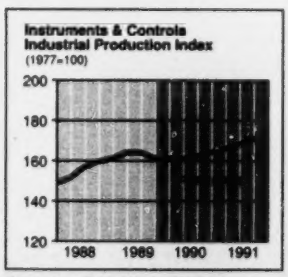

Data source: Federal Reserve Board
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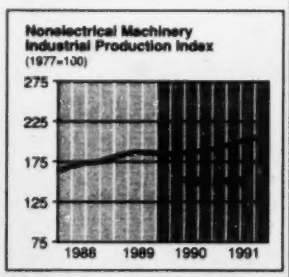


Data source: Federal Reserve Board
Forecast source: Cahners Economics

(1977=100)	SALES March 1990	SALES Feb. 1990	SALES March '90 vs March '89 % change	RECEIVABLES March 1990 days	INVENTORY March 1990 % change
TOTAL	186.4	182.7	6.2	39.9	+0.5
EAST	155.7	160.8	−3.5	48.9	−0.1
SOUTH	200.8	208.0	−3.1	34.1	−1.3
CENTRAL	160.1	166.8	+12.9	38.8	+0.8
WEST	199.2	200.4	−8.8	36.7	+3.3

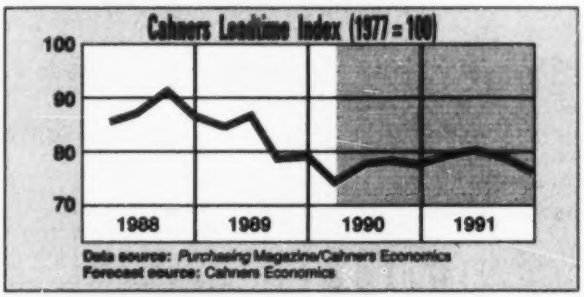
SOURCE: Industrial Distribution Assn.

SUPPLY OUTLOOK

BY PAUL WATERS

Factory leadtimes to shorten

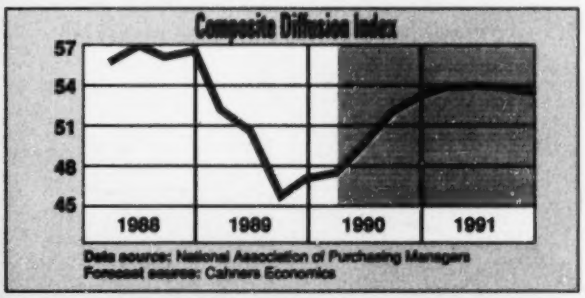
Manufacturers are streamlining inventories.



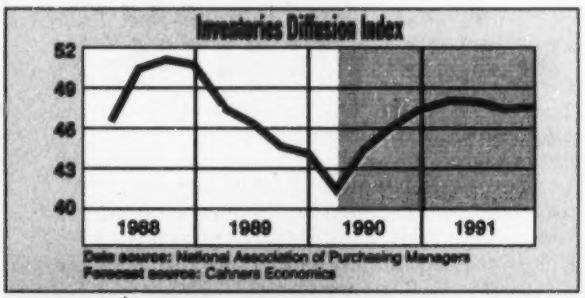
Thanks to the current economic growth slump, industrial materials will be easier to source than usual. For each month since May 1989, Cahners leadtime index of 125 industrial materials has been shorter than its year-ago counterpart. This year's first quarter was 12.2% below 1989's and the second quarter is estimated to have logged a similar decline. Industrial distributors and, in turn, purchasing will be pleased with the supply conditions for the rest of 1990. The leadtime index will finish the year 6.4% below 1989's level and delivery times will not increase significantly until the first quarter 1991. Volatility should not be a problem either, since the index is forecasted to climb only 2.1% next year.

Businesses are simply not demanding goods because activity is slow. The National Association of Purchasing Managers (NAPM) inventory index tracks changes in inventory activity. A number 50 indicates no change, while a number below 50 indicates shrinking inventory levels (see diffusion indices). Since January 1989, the index number has stayed below 50. Because of the slowdown, firms are keeping streamlined inventories. But with economic activity picking up in the third quarter, firms should start to build stocks soon. Look for the inventory index to drop about 2% this year, but rise more than 6% in 1991.

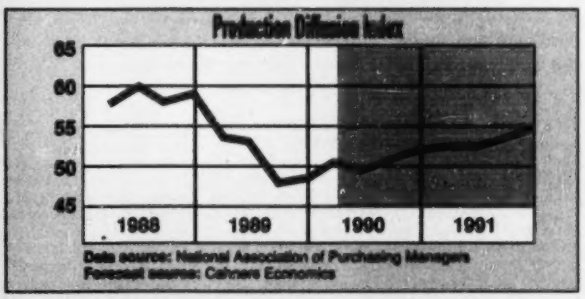
Although some indicators are difficult to read right now (as is common during a turning point), most point to an imminent upturn in the economy. Both the new order and production indices have been above 50 since February and others are approaching it. Simply put, expect the overall activity index to rise above 50 in the third quarter, evidence of expansion in manufacturing. This translates into a 2.6% gain in industrial production this year and a 4.5% jump in 1991.



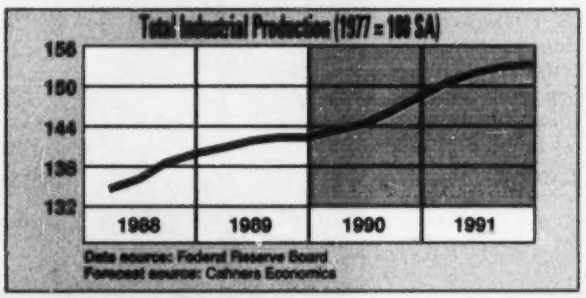
The NAPM composite activity index will manage a 3.3% climb in 1990 on the strength of the second half of the year.



Inventories have been kept trim since the beginning of 1989, but expected economic strength will encourage small buildups.



The NAPM production index will rise above 50 in the third quarter, indicating an expanding manufacturing sector.



Total industrial production will climb a modest 2.6% in 1990, but will jump 4.5% in 1991.

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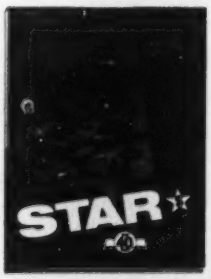

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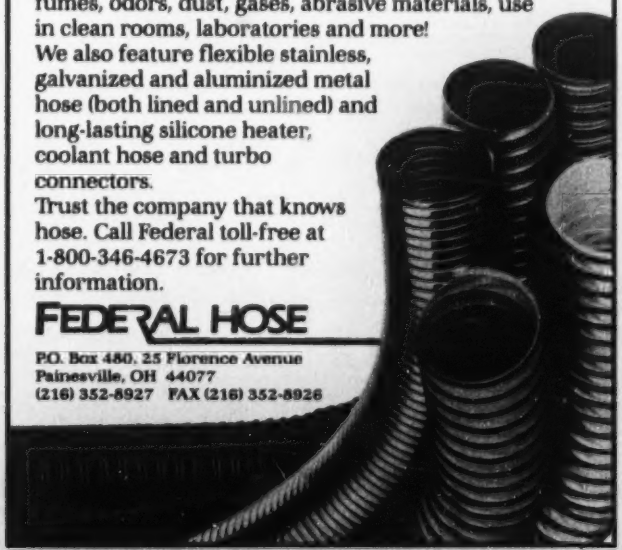

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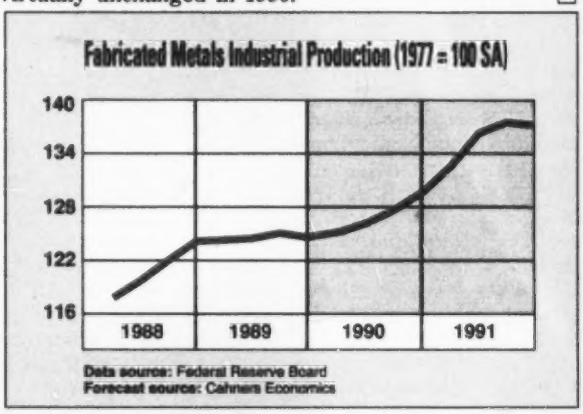
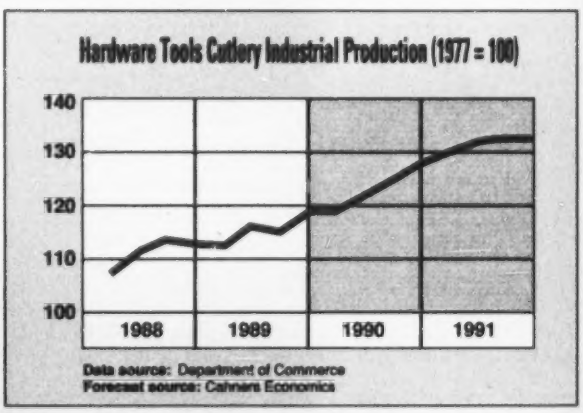
SUPPLY OUTLOOK

Hardware and tools will top 6.7% growth

Output of fabricated metals, which falls on the early side of the business cycle, has been weaker than most durable goods industries. After a peak gain of 9.0% in 1988, production expansion slowed to 3.1% in 1989. Look for only a 2.1% increase in 1990. Structural metal product output grew faster last year (6.0%), but 1990's gain will be a more modest 1.6%. Growth of the hardware and tools sector was 3.9% in 1989, but will top 6.7% this year. Growth in the fasteners and stampings industry is not as healthy, however. Look for production to be virtually unchanged in 1990. □



Fabricated metals will have to wait until 1991 before heating up. Expect a 6.8% jump in production next year.



Hardware and tools is one sector of fabricated metals that will see a strong 1990—look for 6.6% growth in output.

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